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ARIZONA CORPORATION COMMISSION

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April 28, 2010

Mr. Don Robinson
President and COO
Arizona Public Service
400 No. Fifth Street
Phoenix, AZ 85004

Re: Arizona Public Service Company Power Supply Adjustor

Dear Mr. Robinson:

In its most recent filing with Commission Staff, Arizona Public Service Company ("APS" or "Company") filed an update of its Power Supply Adjustor ("PSA") projections for this year, reflecting an over collection balance of \$102 million.

Historically, PSA balances – which fluctuate with the cost of natural gas – have been subject to seasonal variation, with over-collections occurring in the spring, followed by summer seasons that draw down the over-collected balance. While I believe this summer will likely follow historic norms and draw down the current PSA balance from its current over-collected position, I remain concerned that APS' projections suggest that the Company will owe its customers at least \$30 million this fall. The post-summer \$30 million credit due suggests that there is an opportunity to make adjustments to current collections to reduce the projected surplus and return funds to ratepayers.

I would like the Company to outline its own projections for the PSA adjustor balance, and provide a plan to the Commission for the treatment of these over-collected funds. If the Company believes the funds should not be returned to ratepayers after the summer season, please detail with specificity the Company's reasons for that position. Please also tell the Commission whether the Company is currently earning interest on the \$102 million over-collected balance, and at what interest rate.

Thank you for your attention to this matter.

Sincerely,

Kris Mayes
Commissioner

Cc: Commissioner Gary Pierce
Commissioner Paul Newman
Commissioner Sandra Kennedy
Commissioner Bob Stump
Ernest Johnson
Steve Olea
Janice Alward
Rebecca Wilder